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Bull HN Information Systems Inc.  
Corporate Human Resources Policy

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40:5

Issued  
JUL 89

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## INDEPENDENT CONTRACTORS AND CONSULTANTS

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This policy is effective July 1, 1989 and applies to all U.S. locations and organizations. All previous policies regarding independent contractors and consultants are hereby superseded.

**POLICY:**

It is Company policy to comply with the Internal Revenue Service's regulations regarding the retention of Independent Contractors and Consultants.

**GUIDELINES:**

It may be advantageous to consider the use of an independent contractor, rather than the hiring of an employee. An employer/employee relationship creates certain responsibilities which are generally not present when an independent contractor is used.

However, care must be taken that a truly independent contractor relationship exists. Failure to do so, can result in Company exposure to significant tax penalties and other liabilities.

The principal consideration in determining if an individual is an independent contractor or an employee is whether or not the Company or the individual has the right to control the method or manner of performing the work. Generally, if a person is responsible for the results of his/her work and the Company is not controlling the method of accomplishments, the person is an independent contractor. If the right to control, direct, or interfere with the way in which work is accomplished is retained by Bull HN (whether or not it is actually exercised), the person is usually deemed to be an employee.

Former Company employees, including retirees, may not be retained as independent contractors or consultants – unless they are representing an incorporated entity.

Persons who were not former Company employees may be retained as independent contractors or consultants if their status as such is determined under strict interpretation of the IRS rules.

To avoid significant tax penalties, former employees, excluding retirees, and non-former employees not meeting IRS independent contractor specifications, may be retained by using one of the following alternatives:

1. Hire the individual as a temporary employee and make appropriate withholding.

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2. Contract with another company to obtain the needed service. (In this situation, payment for services is made to the other company, not to the individual.)

This alternative is the only option available for retirees, since they may not be rehired under a direct employee status. Retirees, who receive an incentive payment to retire, may not be retained by this method without the prior approval of the appropriate organization Vice President and the Vice President, Corporate Relations.

As compliance is required by law and Company policy, there shall be no deviations.

Consult with the cognizant Human Resource organization to determine status prior to retaining the services of an independent contractor or consultant. In addition, prior to retaining the services of an independent contractor or consultant, a standard "Agreement for Services" must be completed and forwarded to Purchasing, along with a Purchase Requisition and a Taxpayer Identification Form. These standard forms may be obtained from Purchasing.

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